

THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.

<https://www.wsj.com/articles/a-congressional-move-against-russias-pipeline-to-europe-is-running-aground-11572526264>

WORLD | EUROPE

Congressional Moves Against Russia's Pipeline to Europe Are Running Aground

Moscow's natural-gas tube clears hurdles as U.S. opposition trips; lobbying ramps up; fears over implications for Ukraine



Sen. Ted Cruz has been a co-sponsor and principal driver of the Senate bill to sanction companies providing technical assistance to the pipeline construction. PHOTO: SERGIO FLORES/GETTY IMAGES

By Brett Forrest

Oct. 31, 2019 8:51 am ET

WASHINGTON—A new pipeline constructed to carry Russian natural gas to Germany is advancing toward its goal along the floor of the Baltic Sea, while U.S. legislation crafted to block the tube from reaching its destination has stalled on Capitol Hill.

Amid a multifaceted lobbying effort, German and Russian officials have characterized this pipeline, Nord Stream 2, as a commercial venture advancing energy security for Europe, while some U.S. officials have viewed it more ominously. The pipeline will allow Gazprom, Russia's gas-export monopoly, to all but abandon the Ukrainian transit system that has handled the bulk of Russian gas deliveries to Europe for decades.

Gazprom officials claim the right to choose their transit partners. U.S. officials worry that Nord Stream 2 will strengthen Russia's grip on the European energy market, scotch any geopolitical leverage Ukraine may still have in its struggle with Russia, and allow Moscow to dictate political terms across the continent.

Over the summer, House and Senate committees approved legislation to sanction companies providing technical assistance to the pipeline construction. But these bills now are foundering, while the \$10.5 billion Nord Stream 2 is roughly 85% complete and nearing connection with Greifswald, the pipeline's destination on the German coast, according to a spokeswoman for the pipeline company.

The final obstacle to completion—Denmark's evaluation of a permit application to lay pipe in a 91-mile stretch in the country's exclusive economic zone—was overcome Wednesday, when Danish officials granted the permit, allowing pipeline construction to continue apace.

Ordinarily, the call to sanction the pipeline would fall to the Trump administration. President Trump consistently has needled German Chancellor Angela Merkel over Nord Stream 2, and Energy Secretary Rick Perry has affirmed the administration's opposition to the project.

“This is a political gambit by Russia and Gazprom to have a captive audience,” a senior Department of Energy official said.

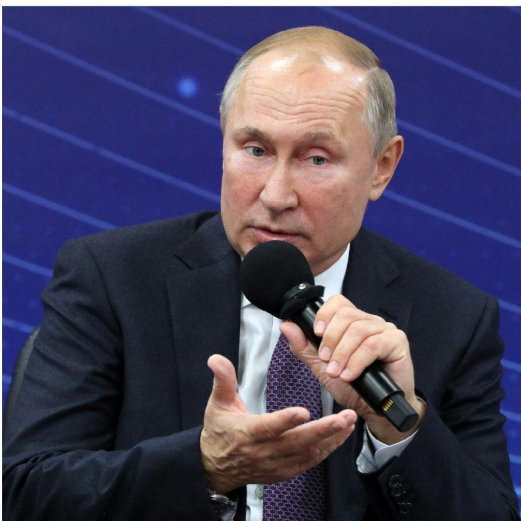


U.S. Treasury Secretary Steven Mnuchin has made no move to use a 2017 law authorizing sanctions on Russia, Iran and North Korea, spurring Congress to act. PHOTO: ANDREW HARRER/BLOOMBERG NEWS

The Treasury Department can sanction under a 2017 law enacted to impose sanctions on Iran, North Korea and Russia, known as the Countering America's Adversaries Through Sanctions Act, or CAATSA. But Treasury Secretary Steven Mnuchin has made no move to do so, spurring Congress to act this year.

“The United States continues to oppose the Nord Stream II pipeline,” a Treasury Department spokesman said in an emailed comment. “Firms working in the Russian energy export pipeline sector are engaging in a line of business that carries sanctions risk under U.S. law.”

The House and Senate bills, though focused on Nord Stream 2, have been clouded by public debates over Russian interference in U.S. affairs, the trans-Atlantic partnership, and the role of Congress in commercial transactions.



‘I believe the project will be implemented,’ Russian President Vladimir Putin said in August. PHOTO: MIKHAIL TERESHCHENKO/ZUMA PRESS

In September, Sen. Ted Cruz, a co-sponsor and principal driver of the Senate bill, attempted to “hotline,” or expedite, the Nord Stream 2 sanctions legislation. The sole objector was Sen. Rand Paul (R., Ky.), who has opposed the bill from its inception.

A spokesman for Mr. Paul declined to comment. The senator articulated his position in a July letter, characterizing the Nord Stream 2 bill as “economic warfare” on Switzerland, the home country of the company that is providing the main deep-sea pipe-laying services.

Senate Majority Leader Mitch McConnell (R., Ky.) can bring the bill to the floor for a vote, where it would be likely to pass. However, a key McConnell aide, Robert Karam, a former assistant secretary of defense who serves as Mr. McConnell's foreign-affairs adviser, has expressed philosophical opposition to sanctions, according to people participating in the discussions.

SHARE YOUR THOUGHTS

Should the U.S. intervene with a Russian pipeline to Germany? Join the conversation below.

Mr. Karam and a spokesman for Sen. McConnell declined to comment.

Mr. Cruz on Wednesday questioned John Sullivan, the Trump administration's nominee to become ambassador to Russia, about the pipeline. Mr. Sullivan said that the pipeline would have a devastating economic effect on Ukraine but that it might already be too late to stop it and that any sanctions would only impose a cost on its completion, not stop the construction.

The pipeline now could be completed by early 2020, and, as time passes, lobbying efforts are intensifying. Officials from Ukraine's National Security and Defense Council and from Naftogaz, the country's national oil and gas company, have been traveling to Washington. "We are telling people, 'Guys, we need to do this surgery quickly,'" a Ukrainian official said recently.

Officials at the Russian Embassy in Washington declined to comment, pointing instead to Nord Stream 2-related remarks by Russian President Vladimir Putin. "I believe the project will be implemented," he said in Helsinki in August.

Last fall, Secretary of State Mike Pompeo and Ukraine's then-foreign minister, Pavlo Klimkin, discussed the project during a meeting in Washington. A joint statement stressed "the importance of continued coordination to stop proposed Russian pipelines that would hurt Ukraine's economic and strategic stability, such as Nord Stream 2."

German officials have been pursuing a persistent Hill campaign, focusing on the House and cautioning Democrats against emulating Mr. Trump's alleged anti-Europeanism in thwarting the pipeline, according to people who have participated in these discussions.

"We've been in touch with representatives of all parties on the Hill as well as the administration. Our outreach is expansive and ongoing," a Germany Embassy spokesperson said.



Ships worked in the Baltic Sea on the Nord Stream 2 natural-gas pipeline from Russia to Germany last November.
PHOTO: BERND WUESTNECK/ASSOCIATED PRESS

Switzerland-based Nord Stream 2 AG, whose sole shareholder is Gazprom, argues against what it sees as U.S. overreach.

Sanctions legislation will "hurt America's allies and widen the gulf between the U.S. and Western Europe," said Ulrich Lissek, a Nord Stream 2 AG spokesman. "Europe must be free to manage its own energy security in ways that make sense economically for Europeans."

Despite the fact that the House's Nord Stream 2 bill was approved unanimously by the House Foreign Affairs Committee, Majority Leader Steny Hoyer (D., Md.) has no plans to bring it to the floor, according to a senior House staffer.

“Mr. Hoyer is working with the committees of jurisdiction to establish the best legislative path forward with regards to sanctions on the Nord Stream 2 project,” said a Hoyer aide.

Earlier this fall, House Democratic leaders revived a broad sanctions bill from last year that is meant to punish Russia for a rash of alleged transgressions, from Syria to meddling in the 2016 U.S. election, and which will include provisions for Nord Stream 2 sanctions, according to a congressional staffer briefed on the matter.

However, House impeachment proceedings enacted against Mr. Trump have delayed progress of that larger bill.

As tension mounts, House Democrats and Senate Republicans cast blame for inaction on each other, with neither anxious to alienate the Germans but both hoping to avoid being called to account should the pipeline reach its conclusion.

Meanwhile, another option has emerged. Lawmakers are now increasingly discussing adding Nord Stream 2 sanctions to the Pentagon budget bill under the National Defense Authorization Act—a move that would require approval of the relevant committee heads and the political leadership on either side of Congress.

“It’s the cleanest option,” the senior U.S. official said. “It’s a way to resolve it and be done with it.” Discussions on that bill are under way and are expected to be finalized in the coming weeks.

Write to Brett Forrest at brett.forrest@wsj.com

Copyright © 2019 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.greprints.com>